

STATE OF ARIZONA
FILED

AUG 26 2002

DEPT. OF INSURANCE
BY CO

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of)

CONSOLIDATED AMERICAN)
INSURANCE COMPANY)
(NAIC No. 24945))

Respondent.)

Docket No. 02A-149-INS

CONSENT ORDER

The State of Arizona, Department of Insurance (the "Department"), has received evidence that Consolidated American Insurance Company ("Respondent") violated provisions of Title 20, Arizona Revised Statutes. Respondent wishes to resolve this matter without the commencement of formal proceedings, and admits the following Findings of Fact are true and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. Respondent Consolidated American Insurance Company ("Respondent") is domiciled in South Carolina and presently holds a certificate of authority issued by the Arizona Department of Insurance ("Department") to transact casualty with workers' compensation, marine and transportation, property, surety, and vehicle insurance.

2. On August 20, 2002, the South Carolina Department of Insurance placed Respondent into supervision in its Order Imposing Administrative Supervision and Appointing Supervisor, based on findings that the continuation of its business is hazardous to the public and the holders of its policies of insurance under South Carolina law.

3. In an ongoing civil dispute involving Respondent, CV 2002-005533, the Maricopa County Superior Court ordered that Respondent could not cancel certain workers' compensation policies

1 related to an arrangement with Human Dynamics Corporation ("HDC policies"), and that the HDC
2 policies were in full force and effect until December 31, 2002. The HDC policies represent liabilities of
3 Respondent. As of June 30, 2002, Respondent's financial statements failed to adequately reserve for the
4 liabilities related to the HDC policies, which constitutes an adverse finding within the meaning of
5 A.A.C. R20-6-308(A)(16).

6 4. Based on Respondent's Quarterly Statement, as of June 30, 2002, Respondent appears to
7 lack the financial capacity to meet its obligations to its policyholders because of the HDC policies,
8 which constitutes an adverse finding within the meaning of A.A.C. R20-6-308(A)(17).

9 5. Respondent is in unsound financial condition or in such condition as to render its further
10 transaction of insurance in this state hazardous to the policyholders or to the people of this state, within
11 the meaning of A.R.S. §20-220(A)(3) and A.A.C. R20-6-308.

12 CONCLUSIONS OF LAW

13 1. The Director has jurisdiction over this matter.

14 2. Respondent is in unsound financial condition or in such a condition as to render the
15 further transaction of insurance in this state hazardous to its policyholders or to the people of this State,
16 within the meaning of A.R.S. §20-220(A)(3).

17 3. Grounds exist for the Director to suspend or revoke Respondent's certificate of authority
18 pursuant to A.R.S. § 20-220(A).

19 ORDER

20 **IT IS ORDERED** suspending the certificate of authority held by Consolidated American
21 Insurance Company to transact new and renewal insurance business, effective immediately. This Order
22 specifically prohibits the Respondent from issuing any new or renewal policies, or any new or renewal
23
24

1 certificates of insurance issued under any existing policy or master policy issued by the Respondent.

2 Respondent shall give notice of non-renewal under A.R.S. §23-961(G).

3 DATED AND EFFECTIVE this 26th day of August, 2002.

4
5 *Sara M. Bulley, Deputy Director*
6 for CHARLES R. COHEN
7 Director of Insurance

8 **CONSENT TO ORDER**

9 1. Respondent has reviewed the foregoing Findings of Fact, Conclusions of Law and Order.

10 2. Respondent admits the jurisdiction of the Director of Insurance, State of Arizona, and
11 admits the foregoing Findings of Fact and consents to the entry of the foregoing Conclusions of Law and
12 Order.

13 3. Respondent is aware of its right to notice and a hearing at which it may be represented by
14 counsel, present evidence and cross-examine witnesses. Respondent irrevocably waives its right to such
15 notice and hearing and to any court appeals relating to this Consent Order.

16 4. Respondent states that no promise of any kind or nature whatsoever, except as expressly
17 contained in this Consent Order was made to it to induce it to enter into this Consent Order and that it
18 has entered into this Consent Order voluntarily.

19 5. Respondent acknowledges that the acceptance of this Consent Order by the Director is
20 solely to settle this matter against it and does not preclude any other agency, officer or subdivision of
21
22
23
24

1 this State from instituting civil or oriminal proceedings as may be appropriate now or in the future.

2

3

CONSOLIDATED AMERICAN
INSURANCE COMPANY

4

5

8/26/02

Date

6

By: *J. Natili*
Its: President and CEO

7

COPY of the foregoing mailed/hand-delivered
this 26th day of August, 2002, to:

8

John Edward Natili
President
Consolidated American Insurance Company
1501 Lady Street
Columbia, South Carolina 29201

11

Matthew Patrick McClure
Statutory Agent for Service of Process
1501 Lady Street
Columbia, South Carolina 29201

12

13

14

Bruce Samuels
Gregory Harris
Lewis & Roca
40 N. Central Avenue
Phoenix, Arizona 85004-4429

15

16

17

Gwendolyn Fuller
Deputy Director
South Carolina Department of Insurance
P.O. Box 100105
Columbia, South Carolina 29202-3105

18

19

20

Michael E. Surguine
Executive Director
Arizona Property and Casualty Insurance Guaranty Fund
1110 W. Washington, Suite 270
Phoenix, AZ 85007

21

22

23

Larry Etchechury

24

1 Director
 Industrial Commission of Arizona
 2 800 W. Washington
 Phoenix, AZ 85007

3 Sara Begley, Deputy Director
 4 Steve Ferguson, Assistant Director
 Deloris Williamson, Assistant Director
 5 Scott Greenberg, Chief Operating Officer
 Catherine O'Neil, Consumer Affairs Legal Officer
 6 Paul Hogan, Market Conduct Chief Examiner
 Kurt Regner, Chief Financial Analyst
 7 Leslie Hess, Legal Analyst, Financial Affairs
 Arizona Department of Insurance
 8 2910 N. 44th Street, Suite 210
 Phoenix, Arizona 85018

9 Mary Kosinski
 10 Assistant Attorney General
 Arizona Attorney General's Office
 11 1275 West Washington
 Phoenix, Arizona 85007

12
 13 
 14 Curvey Walters Burton

15
 16
 17
 18
 19
 20
 21
 22
 23
 24